

HOUSING AUTHORITY OF THE
TOWN OF HARRISON
Harrison, New Jersey

COMPARATIVE FINANCIAL STATEMENTS
For the Two Years Ended
March 31, 2016 and 2015

#REF!
FINANCIAL STATEMENTS
For the Fiscal Years Ended March 31, 2016 and 2015
TABLE OF CONTENTS

	<u>PAGE</u>
Management's Discussion and Analysis	1-5
Independent Auditor's Report	6-7
<u>FINANCIAL STATEMENTS</u>	
Comparative Statements of Net Position	8
Comparative Statements of Revenues, Expenses, and Changes in Net Position	9
Comparative Statements of Cash Flows	10
Notes to Financial Statements	11-22
<u>SUPPLEMENTAL INFORMATION</u>	
Schedule of Expenditures of Federal Awards	23
Financial Data Schedule	24-28
Statement and Certification of Completed Modernization Grants	29
Schedule of Proportionate Share of the Net Pension Liability of the Public Employees Retirement System (PERS)	30
Schedule of Authority Contribution to the Public Employees Retirement System (PERS)	31
<u>OTHER REPORTS AND COMMENTS</u>	
Independent Auditor's Report on Internal Control Over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance With Government Auditing Standards	32-33
Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance	34-35
Status of Prior Audit Findings	36
Schedule of Findings and Questioned Costs	36

HOUSING AUTHORITY OF THE TOWN OF HARRISON
MANAGEMENT'S DISCUSSION AND ANALYSIS
MARCH 31, 2016

As Management of the Authority, we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended March 31, 2016. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements as presented elsewhere in this report.

A – Financial Highlights

1 – The assets of the Authority exceeded its liabilities at the close of the most recent fiscal year by \$5,780,319 (net position) as opposed to \$6,929,816 for the prior fiscal year.

2 – As of the close of the current fiscal year, the Authority's Proprietary Fund reported a deficit in ending Unrestricted Net Position of \$1,216,682.

3 – The Authority's cash and cash equivalents balance at March 31, 2016 was \$1,253,353, representing an increase of \$236,384 from the prior fiscal year.

4 – The Authority had Total Operating Revenues of \$3,415,711 and Total Operating Expenses of \$3,041,810 (including depreciation \$620,443) for the year ended March 31, 2016.

5 – The Authority's capital outlays for the fiscal year were \$1,065,619. All of the capital outlays were funded by the capital fund program.

6 – The Authority's Expenditures of Federal Awards amounted to \$559,722 for the fiscal year.

B – Using the Annual Report

1 – Management's Discussion and Analysis

The Management's Discussion and Analysis is intended to serve as an introduction to the Authority's financial statements. The Authority's statements and Notes to Financial Statements included in the this Report were prepared in accordance with generally accepted accounting principles (GAAP) applicable to governmental entities in the United States of America for Proprietary Fund types.

2 – Financial Statements

The financial statements are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to a private-sector business. They consist of the Comparative Statements of Net Position, the Comparative Statements of Revenues, Expenses and Changes in Net Position, and the Comparative Statements of Cash Flows.

The Comparative Statements of Net Position present information on the Authority's assets and liabilities, with the difference between the two reported as net position. Increases or decreases in net position will serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The Comparative Statements of Revenues, Expenses, and Changes in Net Position present information showing how the Authority's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of unrelated cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g.; depreciation and earned but unused vacation leave).

HOUSING AUTHORITY OF THE TOWN OF HARRISON
MANAGEMENT'S DISCUSSION AND ANALYSIS
MARCH 31, 2016

B – Using the Annual Report (Continued)

2 – Financial Statements (Continued)

The financial statements report on the Authority's activities. The activities are primarily supported by HUD subsidies and grants. The Authority's function is to provide decent, safe and sanitary housing to low income and special needs populations. The financial statements can be found on pages 8 through 10.

3 – Notes to Financial Statements

The Notes to Financial Statements provide additional information that is essential to a full understanding of the data provided in the financial statements. The Notes to Financial Statements can be found in this Report after the financial statements.

4 – Supplemental Information

The Schedule of Expenditures of Federal Awards (SEFA) is presented for purpose of additional analysis as required by Government Auditing Standards. The SEFA awards can be found on page 20 of this report. Other required supplementary information related to the Authority's proportionate share of the New Jersey PERS liability is presented on pages 29 and 30 of this report.

C – The Authority as a Whole

The Authority's Net Position decreased during the fiscal year as detailed below. The Authority's revenues are primarily subsidies and grants received from HUD. The Authority receives subsidies each month based on a pre-approved amount by HUD. Grants are drawn down based on need against a pre-authorized funding level.

By far, the largest portion of the Authority's net position reflects its investment in capital assets (e.g., land, buildings, equipment and construction in progress). The Authority uses these capital assets to provide housing services to its tenants. Consequently, these assets are not available for future spending. The unrestricted net position of the Authority is available for future use to provide program services.

D – Budgetary Highlights

For the year ended March 31, 2016 individual program or grant budgets were prepared by Authority management and were approved by the Board of Commissioners. The budgets were primarily used as a management tool and have no legal stature. The Authority also adopted a comprehensive annual budget for the General Fund. The budgets were prepared in accordance with the accounting procedures prescribed by the applicable funding agency.

E - Capital Assets and Debt Administration

1 – Capital Assets

As of March 31, 2016, the Authority's investment in capital assets for its Proprietary Fund was \$6,997,001 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment and construction in progress.

HOUSING AUTHORITY OF THE TOWN OF HARRISON
MANAGEMENT'S DISCUSSION AND ANALYSIS
MARCH 31, 2016

E - Capital Assets and Debt Administration (Continued)

1 – Capital Assets (Continued)

Major capital assets purchased from HUD capital grants of \$127,823 during the current fiscal year pertained to expenditures made in accordance with the Authority's Capital Fund Programs. These activities are funded by grants from HUD. The Authority also received \$937,796 of weatherization grants from the State of New Jersey during the current fiscal year that was used to purchase capital assets. No capital assets were purchased with operating funds.

Additional informational on the Authority's capital assets can be found in Note 5 to the Financial Statements which is included in this Report.

2 – Long Term Debt

The Authority does not have any long-term debt outstanding at this time.

F - Economic Factors and Next Year's Budgets and Rates

The following factors were considered in preparing the Authority's budget for the fiscal year ending March 31, 2017.

1 – The state of the economy, particularly its effect on tenant incomes, which are used in determining tenant rents paid to the Authority.

2 – The need for Congress to fund other initiatives and programs of the federal government, thereby decreasing funding available to public housing programs.

3 – The use of the Authority's cash and cash equivalents of \$1,253,353 to fund any shortfalls rising from reduced subsidies and grants. The Authority's current working capital position appears sufficient to cover any shortfall. As of March 31, 2016, the Authority current assets of \$1,324,945 exceed its current liabilities of \$310,434 by \$1,014,511.

G - Significant Changes From March 31, 2015 to March 31, 2016

Buildings and Improvements increased \$1,424,236 primarily because the Authority used its capital fund and weatherization grant to purchase capital assets during the current fiscal year.

Deferred outflow of resources increased \$420,190 due to the pension liability required reporting per GASB 68. This accounting pronouncement also resulted in deferred inflow of resources increasing \$34,332, the Authority's pension liability increasing \$2,135,240 and a prior period adjustment of \$1,653,784.

Payment in Lieu of Taxes (PILOT) liability increased \$23,413 as rental revenue increased and utility expenses decreased during the current fiscal year.

Other government grants increased \$937,796 as the Authority received a weatherization grant from the State of New Jersey during the current fiscal year. The Authority did not receive this grant in the prior year, but instead used its capital fund to fund the majority of its capital improvements. This explains why capital grants decreased \$by \$803,158.

HOUSING AUTHORITY OF THE TOWN OF HARRISON
MANAGEMENT'S DISCUSSION AND ANALYSIS
MARCH 31, 2016

G - Significant Changes From March 31, 2015 to March 31, 2016 (Continued)

Total operating expenses increased only \$45,044, or 1.5%. The increase in maintenance and administration costs was offset by in the aforementioned reduction of utility expenses.

H - Contacting the Authority's Financial Management

The financial report is designed to provide a general overview of the Authority's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Acting Executive Director, Housing Authority of the Town of Harrison, Harrison & Schuyler Avenue, Harrison, New Jersey 07029-1331, or call (973) 483-1488.

HOUSING AUTHORITY OF THE TOWN OF HARRISON
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
MARCH 31, 2016

	<u>Year Ended</u>		<u>Variance</u>	<u>% Var</u>
	<u>March 31, 2016</u>	<u>March 31, 2015</u>		
Cash and Other Current Assets	\$ 1,324,945	\$ 1,101,969	\$ 222,976	20.23%
Capital Assets - Net	6,997,001	6,551,825	445,176	6.79%
Deferred Outflow of Resources	420,190	-	420,190	100.00%
Total Assets	8,742,136	7,653,794	1,088,342	14.22%
Less: Total Liabilities	(2,927,485)	(723,978)	(2,203,507)	304.36%
Less: Deferred Inflow of Resources	(34,332)	-	(34,332)	100.00%
Net Position	<u>\$ 5,780,319</u>	<u>\$ 6,929,816</u>	<u>\$ (1,149,497)</u>	<u>-16.59%</u>
Invested in Capital Assets	\$ 6,997,001	\$ 6,551,825	\$ 445,176	6.79%
Unrestricted Net Position	(1,216,682)	377,991	(1,594,673)	-421.88%
Total Net Position	<u>\$ 5,780,319</u>	<u>\$ 6,929,816</u>	<u>\$ (1,149,497)</u>	<u>-16.59%</u>

Computations of Changes in Net Position are as follows:

	<u>Year Ended</u>		<u>Variance</u>	<u>% Var</u>
	<u>March 31, 2016</u>	<u>March 31, 2015</u>		
<u>Revenues</u>				
Tenant Revenues	\$ 1,686,646	\$ 1,532,197	\$ 154,449	10.08%
HUD Subsidies	781,025	719,632	61,393	8.53%
Other Government Grants	937,796	-	937,796	100.00%
Other	10,244	14,292	(4,048)	-28.32%
Total Operating Revenues	<u>3,415,711</u>	<u>2,266,121</u>	<u>1,149,590</u>	<u>50.73%</u>
<u>Expenses</u>				
Operating Expenses Excl. Depreciation	2,421,367	2,375,640	45,727	1.92%
Depreciation Expense	620,443	621,126	(683)	-0.11%
Total Operating Expenses	<u>3,041,810</u>	<u>2,996,766</u>	<u>45,044</u>	<u>1.50%</u>
Deficiency of Operating Revenues Over Expenses	373,901	(730,645)	1,104,546	-151.17%
<u>Non-Operating Revenues</u>				
Interest on Investments	<u>2,563</u>	<u>2,507</u>	<u>56</u>	<u>2.23%</u>
Deficiency of Revenues Over Expenses Before Capital Grants Received	376,464	(728,138)	1,104,602	-151.70%
<u>Capital Grants</u>				
HUD Capital Grants	<u>127,823</u>	<u>930,981</u>	<u>(803,158)</u>	<u>-86.27%</u>
Change in Net Position	504,287	202,843	301,444	148.6%
Net Position - Beginning Balance	6,929,816	6,726,973	202,843	3.02%
Prior Period Adjustment	(1,653,784)	-	(1,653,784)	-100.00%
Net Position - Ending Balance	<u>\$ 5,780,319</u>	<u>\$ 6,929,816</u>	<u>\$ (1,149,497)</u>	<u>-16.59%</u>

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Housing Authority of the Town of Harrison
Harrison, New Jersey

Report on the Financial Statements

We have audited the accompanying Statements of Net Position of the Housing Authority of the Town of Harrison, herein referred to as the Authority, as of March 31, 2016 and 2015 and the related Statements of Revenue, Expenses and Changes in Net Position and Cash Flows for the years then and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Housing Authority of the Town of Harrison, as of March 31, 2016 and 2015, and the changes in net position, and its cash flows for the years then ended, in accordance with the accounting principles generally accepted in the United States of America.

As discussed in Note 8 to the financial statements, the Housing Authority of the Town of Harrison adopted new accounting guidance, GASB Statement No. 68 Accounting for Pensions. Our opinion is not modified with respect to this matter.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis presented on pages 1-5 and the Supplemental Schedules pertaining to the Public Employees Retirement System presented on pages 29-30 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements of the Housing Authority of the Town of Harrison. The Financial Data Schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The financial data schedule and the schedule of expenditures of federal awards for the year ended March 31, 2016 are the responsibility of management and were derived from and directly relate to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards general accepted in the United States of America. In our opinion, the financial data schedule and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards* we have also issued our report dated November 14, 2016 on our consideration of the Housing Authority of the Town of Harrison's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

POLCARI & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

Wayne, New Jersey
November 14, 2016

HOUSING AUTHORITY OF THE TOWN OF HARRISON
COMPARATIVE STATEMENTS OF NET POSITION
 At March 31, 2016 and 2015

	<u>March 31, 2016</u>	<u>March 31, 2015</u>
<u>ASSETS & DEFERRED OUTFLOW OF RESOURCES</u>		
<u>CURRENT ASSETS</u>		
Cash and Cash Equivalents	\$ 1,253,353	\$ 1,016,969
Accounts Receivable - HUD	4,707	2,985
Accounts Receivable - Tenants (Net)	2,830	3,799
Inventories (Net)	11,285	8,141
Prepaid Expenses and Other Current Assets	52,770	70,075
Total Current Assets	1,324,945	1,101,969
 <u>CAPITAL ASSETS</u>		
Land	188,597	188,597
Buildings and Improvements	16,196,378	14,772,142
Furniture, Equipment and Machinery	278,842	278,842
Construction in Progress	124,052	482,669
Total Fixed Assets	16,787,869	15,722,250
Less: Accumulated Depreciation	(9,790,868)	(9,170,425)
Net Fixed Assets	6,997,001	6,551,825
 Deferred Outflow of Resources	 420,190	 -
Total Assets	\$ 8,742,136	\$ 7,653,794
 <u>LIABILITIES AND NET POSITION</u>		
<u>CURRENT LIABILITIES</u>		
Accounts Payable:		
Vendors and Contractors	\$ 51,722	\$ 85,085
Tenant Security Deposits	6,596	1,267
Deferred Revenue	10,946	6,621
Accrued Liabilities:		
Compensated Absences - Current Portion	119,967	108,465
Payment in Lieu of Taxes	121,203	97,790
Total Current Liabilities	310,434	299,228
Compensated Absences - Noncurrent	198,971	188,708
Pension and OPEB	2,418,080	236,042
Total Liabilities	2,927,485	723,978
 Deferred Inflow of Resources	 34,332	 -
 <u>NET POSITION</u>		
Net Investment in Capital Assets	6,997,001	6,551,825
Unrestricted Net Position	(1,216,682)	377,991
Total Net Position	\$ 5,780,319	\$ 6,929,816

HOUSING AUTHORITY OF THE TOWN OF HARRISON
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Years Ended March 31, 2016 and 2015

	For the Year Ended	
	March 31, 2016	March 31, 2015
<u>OPERATING REVENUES</u>		
Total Tenant Revenue	\$ 1,686,646	\$ 1,532,197
HUD Grants - Operating	781,025	719,632
Other Government Grants	937,796	-
Other	10,244	14,292
Total Revenues	3,415,711	2,266,121
<u>OPERATING EXPENSES</u>		
Administration	771,599	731,003
Utilities	496,466	575,236
Ordinary Maintenance & Operations	915,690	861,723
General Expense	237,612	207,678
Depreciation Expense	620,443	621,126
Total Operating Expenses	3,041,810	2,996,766
EXCESS OF OPERATING REVENUE OVER EXPENSES	373,901	(730,645)
Non Operating Revenues/(Expenses):		
Interest Income	2,563	2,507
Income / (Loss) Before Contributions and Transfers	376,464	(728,138)
Capital Grants	127,823	930,981
CHANGE IN NET POSITION	504,287	202,843
Beginning Net Position	6,929,816	6,726,973
Prior Period Adjustments	(1,653,784)	-
Ending Net Position	\$ 5,780,319	\$ 6,929,816

HOUSING AUTHORITY OF THE TOWN OF HARRISON
COMPARATIVE STATEMENTS OF CASH FLOWS
For the Years Ended March 31, 2016 and 2015

	For the Year Ended	
	March 31, 2016	March 31, 2015
<u>CASH FLOWS FORM OPERATING ACTIVITIES</u>		
Cash Received:		
From Tenants for Rental & Other Income	\$ 1,691,940	\$ 1,533,105
From Government Agencies for Operating Grants	779,303	786,084
For Other Operating Revenues	10,244	14,292
Cash Paid:		
To Employees for Operations	(855,019)	(854,979)
To Suppliers for Operations	(1,392,647)	(1,488,330)
Net Cash Provided/(Used) by Operating Activities	233,821	(9,828)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Capital Grants Received	127,823	930,981
Acquisition of Property and Equipment	(127,823)	(930,981)
Net Cash Provided/(Used) by Financing Activities	-	-
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Investment Income	2,563	2,507
Net Cash Provided/(Used) by Investing Activities	2,563	2,507
Net Increase/(Decrease) in Cash and Cash Equivalents	236,384	(7,321)
Cash and Equivalents at Beginning of Period	1,016,969	1,024,290
Cash and Equivalents at End of Period	\$ 1,253,353	\$ 1,016,969
Reconciliation of Operating Income/(Loss) to Net Cash Provided/(Used) by Operations		
Operating Income/(Loss)	\$ 373,901	\$ (730,645)
Adjustments to Reconcile Operating Income/(Loss) to Net Cash Provided/(Used) by Operating Activities		
Non-Cash Grants Received	(937,796)	-
Depreciation	620,443	621,126
Decrease/(Increase) in Assets:		
Accounts Receivable - Tenants	969	684
Accounts Receivable - HUD	(1,722)	66,452
Inventories	(3,144)	(997)
Prepaid Expenses and Other Current Assets	17,305	(28,756)
Increase/(Decrease) in Liabilities:		
Accounts Payable	(28,034)	(16,395)
Deferred Revenue - Tenant Prepaid Rent	4,325	224
Compensated Absences	21,765	23,880
Pension and OPEB	142,396	46,698
PILOT Payable	23,413	7,901
Net Cash Provided/(Used) by Operating Activities	\$ 233,821	\$ (9,828)

HOUSING AUTHORITY OF THE TOWN OF HARRISON
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2016

NOTE 1 –Summary of Organization, Activities and Significant Accounting Policies:

1. Organization and Activities – The Housing Authority of The Town of Harrison (the Authority) is a governmental, public corporation created under federal and state housing laws as defined by State statute (N.J., S.A. 4A: 12A-1, et. Seq., the “Housing Authority Act”). The Authority is governed by a board of seven members who serve five year terms. The governing board is essentially autonomous but is responsible to the U.S. Department of Housing and Urban Development and the State of New Jersey Department of Community Affairs. An executive director is appointed by the housing authority’s Board to manage the day-to-day operations of the Authority. The Authority is responsible for the development, maintenance and management of public housing for low and moderate income families residing in the Town of Harrison, New Jersey. Operating and modernization subsidies are provided to the Authority by the federal government.

The Authority has not identified any entities which should be subject to evaluation for Inclusion in the Authority’s reporting entity. The Authority has concluded that it is excluded from the Town’s reporting entity since the Town does not designate management, does not influence operations, does not have responsibility for fiscal matters and does not have a funding relationship with the Authority.

The combined financial statements include all accounts of the Authority. The Authority is the lowest level of government over which the Authority’s Board of Commissioners and Executive Director exercise oversight responsibility. The federally funded programs administered by the Authority are detailed on the Financial Data Schedule and the Schedule of Expenditures of Federal Awards, both of which are included as Supplemental Information.

2. Significant Accounting Policies

a. Basis of Accounting – The financial statements of the Authority are prepared using the accrual basis of accounting in order to recognize the flow of economic resources. Under the accrual basis of accounting, transactions are recognized when they occur, regardless of when cash is received or disbursed. Revenues are recognized in the accounting period in which they are earned and become measurable, and expenses recognized in the period incurred, if measurable. Operating revenues and expenses consist of those revenues and expenses that result from the ongoing principal operations of the Authority. Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing types of activities and result from non-exchange transactions or ancillary activities. All assets, liabilities, net position, revenue and expenses are accounted for using a single enterprise fund.

Revenue – The major sources of revenue are various subsidies and grants received from the United States Department of Housing and Urban Development, charges to tenants and other miscellaneous revenues discussed below.

Federal Grant Revenue – Operating subsidies and Capital Fund Program revenue received from HUD are recorded under the accrual method of accounting and are recognized in the period earned in accordance with applicable HUD guidelines. The Authority is generally entitled to receive funds from HUD under an established payment schedule or as expenditures are made under the Capital Fund Program.

Tenant Charges – Rental charges to tenants are determined and billed monthly and are recognized as revenue when billed since they are measurable and collectible within the current period. Amounts not collected at year-end are included in the balance sheet as accounts receivable, and amounts paid by tenants for the subsequent fiscal year are recorded as deferred revenue.

HOUSING AUTHORITY OF THE TOWN OF HARRISON
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2015

NOTE 1 –Summary of Organization, Activities and Significant Accounting Policies (Continued):

Miscellaneous Income – Miscellaneous revenue consists primarily of miscellaneous service fees. The revenue is recorded as earned since it is measurable and available.

b. Report Presentation – The financial statements included in this Report were prepared in accordance with generally accepted accounting principles (GAAP) in the United States of America applicable to governmental entities for Proprietary Fund Types. The Authority implemented the provisions of Governmental Accounting Standards Board Statement No. 34 “Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments” (Statement No. 34). The Authority also adopted the provisions of Statement No. 37 “Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments: Omnibus” and Statement NO. 38 “Certain Financial Statement Note Disclosures”, which supplement Statement No. 34. Statement No. 34 established standards for all state and local governmental entities that includes a statement of net position, a statement of activities and a statement of cash flows. It requires the classification of net position into three components – Net Investment in Capital Asset; Restricted Net Position and Unrestricted Net Position. Statement No. 63 requires the re-naming of the Statement of Net Assets to the Statement of Net Position. The Statement of Net Position reports all assets, deferred outflows of resources, liabilities and deferred inflows of resources and net position. These classifications are defined as follows:

Net Investment in Capital Assets – This component consists of land, construction in progress and depreciable assets, net of accumulated depreciation and net of the related debt outstanding. If there are significant unspent related debt proceeds as of year-end, the portion of the debt related to the unspent proceeds is not included in the calculation of Net Investment in Capital Assets. Rather, that portion of the debt is included in the same net asset component as the unspent proceeds.

Restricted Net Position – This component includes net position subject to restrictions placed on net asset use through external constraints imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by the law through constitutional provisions or enabling legislation.

Unrestricted Net Position – This component consists of net position that does not meet the definition of Restricted Net Position or Net Investment in Capital Assets.

The adoption of GASB Statement no. 63 had no significant effect on the basic financial statements, except for the classification of net position.

Significant accounting policies are as follows:

1 – Cash and cash equivalents are stated at cost, which approximates market. Cash and cash equivalents include cash in banks, petty cash and certificates of deposit, and other investments with original maturities of less than three months from the date of purchase. Investments are recorded at fair value based on quoted market prices. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties.

2 – Collection losses on accounts receivable are charged against an allowance for doubtful accounts.

3 – Buildings and equipment are recorded at cost for all programs and depreciation is computed on the straight line basis. Interest costs necessary to place a Capital Asset in its intended location and condition are capitalized.

HOUSING AUTHORITY OF THE TOWN OF HARRISON
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2016

NOTE 1 – Summary of Organization, Activities and Significant Accounting Policies (Continued):

4 – Maintenance repairs funded out of operations are charged against income for all programs.

5 – The Authority is subsidized by the Federal Government. The Authority is not subject to Federal or State income taxes, nor is it required to file Federal and State income tax returns.

6 – Operating subsidies received from HUD are recorded as income when earned.

7 – The cost of accumulated unpaid compensated absences, including fringe benefits, is reported in the period earned rather than in the period paid.

8 – Prepaid expenses represent payments made by the Authority in the current year to provide services occurring in the subsequent fiscal year.

9 – Inventories in the Proprietary Fund consist of supplies and are recorded at the lower of first-in first-out, cost or market.

10 - The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenues and expenses during the reporting period.

11 - The Authority has elected not to apply to its proprietary activities Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee of Accounting Procedure issued after November 30, 1989.

12 – The Authority does not have any infrastructure assets for its Proprietary Fund.

13 – Inter-fund receivables and payables arise from inter-fund transactions and are recorded by all funds affected in the period in which the transactions are executed.

14 – Long-lived assets to be held and used are tested for recoverability whenever events of changes in circumstances indicate that the carrying amount may not be recoverable. When required, impairment losses on assets to be held and used are recognized based on the fair value of the asset and long lived assets to be disposed of by sale are reported at the lower of carrying amount or fair value less cost to sell. As of March 31, 2016 the Authority has not recognized any reduction in the carrying value of its fixed assets when considering AU 360.

c. Budgetary Policy and Control – The housing authority submits its annual operating and capital budgets to the State of New Jersey Department of Community Affairs in accordance with New Jersey statute. After the New Jersey Department of Community Affairs approves the budget, it is formally adopted by resolution of the Housing Authority's Board of Commissioners. Once adopted, the Board of Commissioners may amend the legally adopted budget when unexpected modifications are required in estimated revenues and expenses. Each fund's budget is prepared on a detailed line item basis. Revenues are budgeted by source and expenditures are budgeted by expense classification within each revenue source.

d. New Accounting Pronouncements - During the fiscal year ending March 31, 2016, the Authority was required to adopt GASB Statement 68, *Accounting and Financial Reporting for Pensions* which requires employers to recognize their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows of resources and collective pension expense excluding that attributable to employer-paid member contributions. Additional information regarding the adoption of GASB 68 can be found in Note 8 to these financial statements.

HOUSING AUTHORITY OF THE TOWN OF HARRISON
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2016

NOTE 2 – Cash and Cash Equivalents

The Authority maintains cash and investments in local banks. These funds are covered by the Governmental Unit Deposit Protection Act of the state of New Jersey, which requires the institutions to pool collateral for all of governmental deposits and have the collateral held by an approved custodian in the institution's name. Cash and cash equivalents of \$1,253,353 and \$1,019,969 at March 31, 2016 and 2015, respectively, consisted of the following:

	<u>March 31, 2016</u>	<u>March 31, 2015</u>
Checking Accounts	\$ 1,252,153	\$ 1,015,769
Petty Cash Fund	1,200	1,200
Total Cash and Cash Equivalents	<u>\$ 1,253,353</u>	<u>\$ 1,016,969</u>

The carrying amount of the Authority's cash and cash equivalents held in banks as of March 31, 2016 was \$1,252,153 and the bank balances were \$1,255,787. Of the bank balances, \$250,000 was covered by FDIC insurance and \$1,005,787 was covered by a collateral pool maintained by the banks as required by New Jersey statute. Cash equivalents, except petty cash are held in the Authority's name.

NOTE 3 – Deferred Revenue

Deferred revenue of \$10,946 at and \$6,621 at March 31, 2016 and 2015, respectively, represents prepaid tenant rent.

NOTE 4 – Tenant Accounts Receivable

Tenant accounts receivable are stated net of an allowance for doubtful accounts. Management has determined that an allowance for doubtful accounts of \$1,266 was required at March 31, 2016 and 2015.

NOTE 5 - Fixed Assets

Fixed assets consist primarily of expenditures to acquire, construct, place in operation and improve the facilities of the Authority and are stated at cost, less accumulated depreciation. Expenditures are capitalized when they meet the Authority's Capitalization policy. Under that policy, assets purchased or constructed at a cost not exceeding \$1,000 are expensed when incurred. The following is a summary of the changes in fixed assets for the fiscal year ended March 31, 2016 and 2015:

	<u>Apr. 1, 2015</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers/Other</u>	<u>Mar. 31, 2016</u>
Land	\$ 188,597	\$ -	\$ -	\$ -	\$ 188,597
Buildings	13,156,636	937,796	-	599,853	14,694,285
Equipment	278,842	-	-	-	278,842
Leasehold Improvements	1,615,506	-	-	(113,413)	1,502,093
Construction in Progress	482,669	127,823	-	(486,440)	124,052
Total Fixed Assets	15,722,250	1,065,619	-	-	16,787,869
Accumulated Depreciation	(9,170,425)	(620,443)	-	-	(9,790,868)
Net Fixed Assets	<u>\$ 6,551,825</u>	<u>\$ 445,176</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,997,001</u>

HOUSING AUTHORITY OF THE TOWN OF HARRISON
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2016

NOTE 5 - Fixed Assets (Continued)

	Apr. 1, 2014	Additions	Disposals	Transfers/Other	Mar. 31, 2015
Land	\$ 188,597	\$ -	\$ -	\$ -	\$ 188,597
Buildings	12,439,257	-	-	830,792	13,270,049
Equipment	278,842	-	-	-	278,842
Leasehold Improvements	1,379,572	-	-	122,521	1,502,093
Construction in Progress	505,001	930,981	-	(953,313)	482,669
Total Fixed Assets	14,791,269	930,981	-	-	15,722,250
Accumulated Depreciation	(8,549,299)	(621,126)	-	-	(9,170,425)
Net Fixed Assets	\$ 6,241,970	\$ 309,855	\$ -	\$ -	\$ 6,551,825

Depreciation expense for the fiscal years ended March 31, 2015 and 2014 amounted to \$621,126 and \$589,119, respectively. Depreciation of Fixed Assets is provided using the straight-line method for reporting purposes at rates based upon the following estimated useful lives:

	<u>Years</u>
Buildings and	40
Improvements	15
Furniture	5
Equipment	5
Vehicles	5
Computers	3

NOTE 6 – Payment in Lieu of Taxes (PILOT)

Under Federal, State and local law, the Authority's programs are exempt from income, property and excise taxes. However, the Authority is required to make a payment in lieu of taxes (PILOT) for the PHA Owned Program in accordance with the provisions of its Cooperation Agreement with the Town. Under the Cooperation Agreement, the Authority must pay the Town the lesser of 10% of its net shelter rent or the approximate full real property taxes. During the fiscal year ended March 31, 2016 and 2015, PILOT expense was accrued in the amount of \$121,203 and \$97,790 respectively.

NOTE 7 – Accrued Compensated Absences

Accrued compensated absences of \$318,938 and \$297,173 at March 31, 2016 and 2015, respectively, represent amounts of accumulated leave for which employees are entitled to receive payment in accordance with the Authority's Personnel Policy. Employees may be compensated for accumulated vacation leave in the event of retirement or termination from service. Vacation leave may be carried to the next succeeding calendar year only. Employees may be compensated for sick leave at retirement based on one-half of the unused sick leave, payable at the salary rate earned at the time of separation.

NOTE 8 – Pension Plan

General Information about the Pension Plan

Plan Description - The Authority participates in the New Jersey Public Employees Retirement System (PERS) which is sponsored and administered by the New Jersey Division of Pensions and Benefits. PERS is a cost-sharing, multiple-employer defined benefits pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the Division). PERS issues a publicly available report that can be obtained at the following website: www.state.nj.us/terasury/pensions/annrpts.shtml.

HOUSING AUTHORITY OF THE TOWN OF HARRISON
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2016

NOTE 8 – Pension Plan (Continued)

Benefits Provided - The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits which vest after 25 years of service or under the disability provisions of PERS. The following represents the membership tiers for PERS:

- Tier 1 – Members who were enrolled by July 1, 2007.
- Tier 2 – Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008.
- Tier 3 – Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010.
- Tier 4 – Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011.
- Tier 5 – Members who were eligible to enroll on or after June 28, 2011.

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and to tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 before age 62 with 25 or more years of service credit and tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached service retirement age for the respective tier.

Contributions - The contribution policy for PERS is set by N.J.S.A. 15A and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by state of New Jersey legislation. PERS provided for employee contributions of 6.5% of employees' annual compensation, as defined. The employee rate was increased from 6.5% to 7.0% of base salary effective July 1, 2012 plus an additional 1% phased in over 7 years beginning in fiscal year 2013. The housing authority's contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. The actuarially determined contribution includes funding for cost of living adjustments and a noncontributory death benefit. The employer contribution rate was 6.78% - 6.92% and 6.64% - 6.78% in fiscal years 2015 and 2014, respectively. Chapter 9, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. The unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets.

Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension Liability - At June 30, 2015 and June 30, 2014, the Authority reported \$2,135,340 and \$1,641,584, respectively, for its proportionate share of the net pension liability. The Authority's portion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The Authority's allocation percentages as of June 30, 2015 and June 30, 2014 were 0.0095123% and 0.008767%, respectively. Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report.

HOUSING AUTHORITY OF THE TOWN OF HARRISON
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2016

NOTE 8 – Pension Plan (Continued)

The components of the Authority’s net pension liability as of June 30, 2015, the most recent evaluation date is as follows:

Total Pension Liability	\$ 4,100,749
Less: Plan Fiduciary Net Position	<u>(1,965,409)</u>
Net Pension Liability	<u>\$ 2,135,340</u>

Actuarial Assumptions - The Authority’s net pension liability for the fiscal year ended December 31, 2015 was determined at a measurement date of June 30, 2015. The total pension liability for the June 30, 2015 measurement date was determined by an actuarial evaluation as of July 1, 2014, which was rolled forward to June 30, 2015. That actuarial valuation used the following assumptions, applied to all periods in the measurement:

Inflation Rate	3.04%
Salary increases	
2012-2021	2.15% - 4.40% based on age
Thereafter	3.15% - 5.40% based on age
Investment Rate of Return	7.90%

Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for males and females) for service retirement and beneficiaries of former members with adjustments for mortality improvements from the base year of 2012 based on projection Scale AA. The RP-2000 Disabled Mortality Tables (setback 3 years for males and setback 1 year for females) are used to value disabled retirees.

The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011. It is likely that future experience will not exactly conform to these assumptions. To the extent that actuarial experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact will be on future financial statements.

In accordance with State statute, the long-term expected rate of return on plan investments (7.90% at June 30, 2015) is determined by the State Treasurer after consultation with the Director of the Division of Pensions and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in the PERS’s target allocation as of June 30, 2015 are summarized in the following table:

HOUSING AUTHORITY OF THE TOWN OF HARRISON
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2016

NOTE 8 – Pension Plan (Continued)

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash	5.00%	1.04%
U.S. Treasuries	1.75%	1.64%
Investment Grade Credit	10.00%	3.02%
Mortgages	2.10%	1.62%
High Yield Bonds	2.00%	4.03%
Inflation-Indexed Bonds	1.50%	3.25%
Broad U.S. Equities	27.25%	8.52%
Developed Foreign Equities	12.00%	6.88%
Emerging Market Equities	6.40%	10.00%
Private Equity	9.25%	12.41%
Hedge Funds / Absolute Return	12.00%	4.72%
Real Estate (Property)	2.00%	6.83%
Commodities	0.01%	5.32%
Global Debt ex US	3.50%	-0.40%
REIT	4.25%	5.12%

Discount Rate - The discount rate used to measure the total pension liability was 4.90% as of June 30, 2015. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.9%, and a municipal bond rate of 3.8% as of June 30, 2015, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the average of the last five years of contributions made in relation to the last five years of actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future payments of current plan members through 2033. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2033, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the Authority's proportionate share of the net pension liability to changes in the discount rate - The following presents the net pension liability of the Authority as of June 30, 2015 and June 30, 2014, respectively, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	At 1% Decrease (3.90%)	Current Discount Rate (4.90%)	At 1% Increase (5.90%)
2015	\$ 2,653,966	\$ 2,135,340	\$ 1,700,527
2014	\$ 2,065,169	\$ 1,641,584	\$ 1,285,881

HOUSING AUTHORITY OF THE TOWN OF HARRISON
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2016

NOTE 8 – Pension Plan (Continued)

For the year ended June 30, 2015, the Authority recognized pension expense of \$170,014. At June 30, 2015 the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
Changes of assumptions	\$ 229,318	\$ -
Differences between expected and actual experience	50,942	34,332
Net differences between projected and actual earnings on plan investments	-	-
Changes in proportion	139,930	-
Authority's contributions subsequent to measurement date	-	-
TOTAL	<u>\$ 420,190</u>	<u>\$ 34,332</u>

\$139,930 reported as deferred outflows and \$0 reported as deferred inflows related to changes in the housing authority's proportion will be recognized (amortized) over the average of the expected remaining service lives of all plan members, which is 5.72 and 6.44 years for the 2014 and 2015 amounts, respectively. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2017	\$ 44,771
2018	44,771
2019	44,771
2020	71,305
2021	<u>40,309</u>
Total	<u>\$ 245,928</u>

NOTE 9 – Other Post-Employment Benefits (OPEB)

ANNUAL OPEB COST AND NET OPEB OBLIGATION

The housing authority provides subsidized benefits at retirement for medical, dental, vision, life insurance and reimbursement for Medicare Part B premium reimbursement for individuals meeting eligibility requirements for the coverage. All benefits are provided for the lifetime of the retiree except for vision coverage which terminates at age 65. The funding policy for the Authority's OPEB contributions was established by and may be amended only by Board resolution.

The Authority's annual other postemployment benefit ("OPEB") cost (expense) is calculated based on the annual required contribution of the employer ("ARC"), an amount actuarially determined in accordance with parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period of the working lifetime of the individual employee. The following table shows the components of the Authority's annual OPEB costs for the fiscal year, the amount actually contributed to the plan and changes in the Authority's net OPEB obligation to the plan:

HOUSING AUTHORITY OF THE TOWN OF HARRISON
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2016

NOTE 9 – Other Post-Employment Benefits (OPEB) (Continued)

Annual Required Contribution	\$126,141
Interest on Net OPEB Obligation	\$7,132
Adjustment to Annual Required Contribution	\$(11,770)
Annual OPEB Cost (Expense)	\$121,503
Contributions Made	\$(74,805)
Increase in Net OPEB Obligation	\$46,698
Net OPEB Obligation – Beginning of Year	\$236,042
Net OPEB Obligation – End of Year	\$282,740

The Authority's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for the 2015 fiscal year and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
3/31/2016	\$121,503	87.46%	\$282,740
3/31/2015	\$121,503	87.46%	\$236,042
3/31/2014	\$121,503	87.46%	\$189,344

FUNDED STATUS AND FUNDING PROGRESS

As of April 1, 2014, the most recent valuation date, the plan was 0.0% funded. The actuarial liability for benefits was \$2,574,814, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAL) of \$2,574,814.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrences of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented in the required supplementary information following the financial statements, presents multiyear trend information about whether the actuarial value of the plan assets increases or decreases over time relative to the actuarial accrued liabilities for benefits.

ACTUARIAL METHODS AND ASSUMPTIONS

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by employer and plan members) and include the types of benefits provided at the time each valuation and the historical pattern of sharing benefit costs between employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The results were prepared and based on the Projected Unit Credit method. Valuation assumptions are based on a discount rate of 6% and the annual health care cost inflation rates of 9% declining to 1% per year to an ultimate trend assumption of 5%. The results are based on reviewing electronic census information (record-by-record review), retiree plan information, benefit cost information, and other summary information of retiree benefits and eligibility.

HOUSING AUTHORITY OF THE TOWN OF HARRISON
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2016

Actuarial Value of Assets: Market Value
Amortization of Initial UAAL: Amortized over thirty years.

Reconciliation of Plan Participation as of April 1, 2014
ACTIVE EMPLOYEES

	April 1,2014	April 1,2013
A. Average Age at Hire	43.2	42.2
B. Average Service	12.1	11.1
C. Average Current Age	54.43	53.3

Detailed summaries of assumptions, benefit provisions and demographic census information including in the actuarial report are prepared by Aquarius Capital. The opining actuary, Michael Frank, President at Aquarius Capital, is a member of the American Academy of Actuaries, Associate of the Society of Actuaries, and Fellow of the Conference of Consulting Actuaries, and meets the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion the Housing Authority of the Town of Harrison.

NOTE 10 – Risk Management

The Authority is exposed to various risks of loss related to torts, theft, damage to and destruction of assets; errors and omissions; and natural disasters for which the Authority carries commercial insurance. During the years ended March 31, 2016 and 2015, the Authority’s risk management program, in order to deal with potential liabilities, consisted of various insurance policies for fire, general liability, crime, auto and public-officials errors and omissions. Periodically, but not less than once annually, the Authority conducts a physical inspection of its Projects for the purpose of determining potential liability issues. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Settled claims relating to the commercial insurance have not exceeded the amount of insurance in any of the past three fiscal years.

NOTE 11 – Construction Commitments

At March 31, 2016 and 2015 the Authority’s outstanding construction commitments pertained to its Capital Fund Programs. The costs pertaining to such commitments will be paid by grants approved and committed to the Authority by the U.S. Department of Housing and Urban Development.

NOTE 12 – Economic Dependency

For the years ended March 31, 2016 and 2015, a substantial portion of the Authority’s revenues were received from the United States Department of Housing and Urban Development, which are subject to availability of funds and Congressional approval, as well as the Authority’s compliance with Federal rules and regulations.

NOTE 13 – Prior Period Adjustments

The Authority recorded a prior period adjustment of \$1,653,784 at March 31, 2016 due to the GASB 68 pension liability reporting requirements. Details regarding the pension liability can be found in Note 8. There was no prior period adjustment recorded at March 31, 2015.

HOUSING AUTHORITY OF THE TOWN OF HARRISON
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2016

NOTE 14 – Subsequent Events

Events that occur after the balance sheet date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the balance sheet date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the balance sheet date require disclosure in the accompanying notes. Management has evaluated subsequent events through November 14, 2015, the 6th financial statements were available to be issued and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

HOUSING AUTHORITY OF THE TOWN OF HARRISON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended March 31, 2016

	Beginning Balance	Revenue Recognized	Expenditures	Ending Balance
<u>LOW INCOME HOUSING PROGRAM</u>				
Operating Subsidy (CFDA# 14.850)	\$ -	\$ 640,608	\$ 640,608	\$ -
Capital Fund Program (CFDA# 14.872)	-	268,240	268,240	-
TOTAL FEDERAL FINANCIAL ASSISTANCE	\$ -	\$ 908,848	\$ 908,848	\$ -

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

1. Basis of Presentation - The accompanying Schedule of Expenditures of Federal Awards is presented in accordance with Generally Accepted Accounting Principles and is presented in accordance with the requirements of the Uniform Guidance. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the general purpose financial statements.
2. There were no sub-recipient activities during the audit period.
3. The Authority has elected not to use the 10% de minimis cost rate.

Harrison Housing Authority (NJ016)

Harrison, NJ

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 03/31/2016

	Project Total	2 State/Local	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$1,246,748		\$1,246,748		\$1,246,748
112 Cash - Restricted - Modernization and Development	\$0		\$0		\$0
113 Cash - Other Restricted	\$0		\$0		\$0
114 Cash - Tenant Security Deposits	\$6,605		\$6,605		\$6,605
115 Cash - Restricted for Payment of Current Liabilities	\$0		\$0		\$0
100 Total Cash	\$1,253,353	\$0	\$1,253,353		\$1,253,353
121 Accounts Receivable - PHA Projects	\$0		\$0		\$0
122 Accounts Receivable - HUD Other Projects	\$4,707		\$4,707		\$4,707
124 Accounts Receivable - Other Government	\$0		\$0		\$0
125 Accounts Receivable - Miscellaneous	\$0		\$0		\$0
126 Accounts Receivable - Tenants	\$4,096		\$4,096		\$4,096
126.1 Allowance for Doubtful Accounts -Tenants	-\$1,266		-\$1,266		-\$1,266
126.2 Allowance for Doubtful Accounts - Other	\$0		\$0		\$0
127 Notes, Loans, & Mortgages Receivable - Current	\$0		\$0		\$0
128 Fraud Recovery	\$0		\$0		\$0
128.1 Allowance for Doubtful Accounts - Fraud	\$0		\$0		\$0
129 Accrued Interest Receivable	\$0		\$0		\$0
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$7,537	\$0	\$7,537		\$7,537
131 Investments - Unrestricted	\$0		\$0		\$0
132 Investments - Restricted	\$0		\$0		\$0
135 Investments - Restricted for Payment of Current Liability	\$0		\$0		\$0
142 Prepaid Expenses and Other Assets	\$52,770		\$52,770		\$52,770
143 Inventories	\$12,546		\$12,546		\$12,546
143.1 Allowance for Obsolete Inventories	-\$1,261		-\$1,261		-\$1,261
144 Inter Program Due From	\$0		\$0		\$0
145 Assets Held for Sale	\$0		\$0		\$0
150 Total Current Assets	\$1,324,945	\$0	\$1,324,945		\$1,324,945
161 Land	\$188,597		\$188,597		\$188,597
162 Buildings	\$14,694,285		\$14,694,285		\$14,694,285
163 Furniture, Equipment & Machinery - Dwellings	\$0		\$0		\$0
164 Furniture, Equipment & Machinery - Administration	\$278,842		\$278,842		\$278,842
165 Leasehold Improvements	\$1,502,093		\$1,502,093		\$1,502,093
166 Accumulated Depreciation	-\$9,790,868		-\$9,790,868		-\$9,790,868
167 Construction in Progress	\$124,052		\$124,052		\$124,052
168 Infrastructure	\$0		\$0		\$0
160 Total Capital Assets, Net of Accumulated Depreciation	\$6,997,001	\$0	\$6,997,001		\$6,997,001
171 Notes, Loans and Mortgages Receivable - Non-Current	\$0		\$0		\$0
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due	\$0		\$0		\$0
173 Grants Receivable - Non Current	\$0		\$0		\$0
174 Other Assets	\$0		\$0		\$0
176 Investments in Joint Ventures	\$0		\$0		\$0
180 Total Non-Current Assets	\$6,997,001	\$0	\$6,997,001		\$6,997,001

Harrison Housing Authority (NJ016)

Harrison, NJ

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 03/31/2016

	Project Total	2 State/Local	Subtotal	ELIM	Total
200 Deferred Outflow of Resources	\$420,190		\$420,190		\$420,190
290 Total Assets and Deferred Outflow of Resources	\$8,742,136	\$0	\$8,742,136		\$8,742,136
311 Bank Overdraft	\$0		\$0		\$0
312 Accounts Payable <= 90 Days	\$51,722		\$51,722		\$51,722
313 Accounts Payable >90 Days Past Due	\$0		\$0		\$0
321 Accrued Wage/Payroll Taxes Payable	\$0		\$0		\$0
322 Accrued Compensated Absences - Current Portion	\$119,967		\$119,967		\$119,967
324 Accrued Contingency Liability	\$0		\$0		\$0
325 Accrued Interest Payable	\$0		\$0		\$0
331 Accounts Payable - HUD PHA Programs	\$0		\$0		\$0
332 Account Payable - PHA Projects	\$0		\$0		\$0
333 Accounts Payable - Other Government	\$121,203		\$121,203		\$121,203
341 Tenant Security Deposits	\$6,596		\$6,596		\$6,596
342 Unearned Revenue	\$10,946		\$10,946		\$10,946
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue	\$0		\$0		\$0
344 Current Portion of Long-term Debt - Operating Borrowings	\$0		\$0		\$0
345 Other Current Liabilities	\$0		\$0		\$0
346 Accrued Liabilities - Other	\$0		\$0		\$0
347 Inter Program - Due To	\$0		\$0		\$0
348 Loan Liability - Current	\$0		\$0		\$0
310 Total Current Liabilities	\$310,434	\$0	\$310,434		\$310,434
351 Long-term Debt, Net of Current - Capital Projects/Mortgage	\$0		\$0		\$0
352 Long-term Debt, Net of Current - Operating Borrowings	\$0		\$0		\$0
353 Non-current Liabilities - Other	\$0		\$0		\$0
354 Accrued Compensated Absences - Non Current	\$198,971		\$198,971		\$198,971
355 Loan Liability - Non Current	\$0		\$0		\$0
356 FASB 5 Liabilities	\$0		\$0		\$0
357 Accrued Pension and OPEB Liabilities	\$2,418,080		\$2,418,080		\$2,418,080
350 Total Non-Current Liabilities	\$2,617,051	\$0	\$2,617,051		\$2,617,051
300 Total Liabilities	\$2,927,485	\$0	\$2,927,485		\$2,927,485
400 Deferred Inflow of Resources	\$34,332		\$34,332		\$34,332
508.4 Net Investment in Capital Assets	\$6,997,001	\$0	\$6,997,001		\$6,997,001
511.4 Restricted Net Position	\$0	\$0	\$0		\$0
512.4 Unrestricted Net Position	-\$1,216,682	\$0	-\$1,216,682		-\$1,216,682
513 Total Equity - Net Assets / Position	\$5,780,319	\$0	\$5,780,319		\$5,780,319
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$8,742,136	\$0	\$8,742,136		\$8,742,136

Harrison Housing Authority (NJ016)

Harrison, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 03/31/2016

	Project Total	2 State/Local	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$1,661,246		\$1,661,246		\$1,661,246
70400 Tenant Revenue - Other	\$25,400		\$25,400		\$25,400
70500 Total Tenant Revenue	\$1,686,646	\$0	\$1,686,646	\$0	\$1,686,646
70600 HUD PHA Operating Grants	\$781,025		\$781,025		\$781,025
70610 Capital Grants	\$127,823		\$127,823		\$127,823
70710 Management Fee					
70720 Asset Management Fee					
70730 Book Keeping Fee					
70740 Front Line Service Fee					
70750 Other Fees					
70700 Total Fee Revenue			\$0	\$0	\$0
70800 Other Government Grants	\$0	\$937,796	\$937,796		\$937,796
71100 Investment Income - Unrestricted	\$2,563		\$2,563		\$2,563
71200 Mortgage Interest Income	\$0		\$0		\$0
71300 Proceeds from Disposition of Assets Held for Sale	\$0		\$0		\$0
71310 Cost of Sale of Assets	\$0		\$0		\$0
71400 Fraud Recovery	\$0		\$0		\$0
71500 Other Revenue	\$10,244		\$10,244		\$10,244
71600 Gain or Loss on Sale of Capital Assets	\$0		\$0		\$0
72000 Investment Income - Restricted	\$0		\$0		\$0
70000 Total Revenue	\$2,608,301	\$937,796	\$3,546,097	\$0	\$3,546,097
91100 Administrative Salaries	\$326,423		\$326,423		\$326,423
91200 Auditing Fees	\$12,600		\$12,600		\$12,600
91300 Management Fee	\$0		\$0		\$0
91310 Book-keeping Fee	\$0		\$0		\$0
91400 Advertising and Marketing	\$0		\$0		\$0
91500 Employee Benefit contributions - Administrative	\$275,920		\$275,920		\$275,920
91600 Office Expenses	\$58,855		\$58,855		\$58,855
91700 Legal Expense	\$70,572		\$70,572		\$70,572
91800 Travel	\$0		\$0		\$0
91810 Allocated Overhead	\$0		\$0		\$0
91900 Other	\$27,229		\$27,229		\$27,229
91000 Total Operating - Administrative	\$771,599	\$0	\$771,599	\$0	\$771,599
92000 Asset Management Fee	\$0		\$0		\$0
92100 Tenant Services - Salaries	\$0		\$0		\$0
92200 Relocation Costs	\$0		\$0		\$0
92300 Employee Benefit Contributions - Tenant Services	\$0		\$0		\$0
92400 Tenant Services - Other	\$0		\$0		\$0
92500 Total Tenant Services	\$0	\$0	\$0	\$0	\$0
93100 Water	\$144,719		\$144,719		\$144,719
93200 Electricity	\$176,767		\$176,767		\$176,767
93300 Gas	\$115,473		\$115,473		\$115,473

Harrison Housing Authority (NJ016)

Harrison, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 03/31/2016

	Project Total	2 State/Local	Subtotal	ELIM	Total
93400 Fuel	\$0		\$0		\$0
93500 Labor	\$40,637		\$40,637		\$40,637
93600 Sewer	\$0		\$0		\$0
93700 Employee Benefit Contributions - Utilities	\$18,870		\$18,870		\$18,870
93800 Other Utilities Expense	\$0		\$0		\$0
93000 Total Utilities	\$496,466	\$0	\$496,466	\$0	\$496,466
94100 Ordinary Maintenance and Operations - Labor	\$487,959		\$487,959		\$487,959
94200 Ordinary Maintenance and Operations - Materials and Other	\$64,743		\$64,743		\$64,743
94300 Ordinary Maintenance and Operations Contracts	\$42,845		\$42,845		\$42,845
94500 Employee Benefit Contributions - Ordinary Maintenance	\$320,143		\$320,143		\$320,143
94000 Total Maintenance	\$915,690	\$0	\$915,690	\$0	\$915,690
95100 Protective Services - Labor	\$0		\$0		\$0
95200 Protective Services - Other Contract Costs	\$0		\$0		\$0
95300 Protective Services - Other	\$0		\$0		\$0
95500 Employee Benefit Contributions - Protective Services	\$0		\$0		\$0
95000 Total Protective Services	\$0	\$0	\$0	\$0	\$0
96110 Property Insurance	\$22,228		\$22,228		\$22,228
96120 Liability Insurance	\$15,635		\$15,635		\$15,635
96130 Workmen's Compensation	\$38,987		\$38,987		\$38,987
96140 All Other Insurance	\$10,189		\$10,189		\$10,189
96100 Total insurance Premiums	\$87,039	\$0	\$87,039	\$0	\$87,039
96200 Other General Expenses	\$0		\$0		\$0
96210 Compensated Absences	\$27,863		\$27,863		\$27,863
96300 Payments in Lieu of Taxes	\$119,109		\$119,109		\$119,109
96400 Bad debt - Tenant Rents	\$3,601		\$3,601		\$3,601
96500 Bad debt - Mortgages	\$0		\$0		\$0
96600 Bad debt - Other	\$0		\$0		\$0
96800 Severance Expense	\$0		\$0		\$0
96000 Total Other General Expenses	\$150,573	\$0	\$150,573	\$0	\$150,573
96710 Interest of Mortgage (or Bonds) Payable	\$0		\$0		\$0
96720 Interest on Notes Payable (Short and Long Term)	\$0		\$0		\$0
96730 Amortization of Bond Issue Costs	\$0		\$0		\$0
96700 Total Interest Expense and Amortization Cost	\$0	\$0	\$0	\$0	\$0
96900 Total Operating Expenses	\$2,421,367	\$0	\$2,421,367	\$0	\$2,421,367
97000 Excess of Operating Revenue over Operating Expenses	\$186,934	\$937,796	\$1,124,730	\$0	\$1,124,730
97100 Extraordinary Maintenance	\$0		\$0		\$0
97200 Casualty Losses - Non-capitalized	\$0		\$0		\$0
97300 Housing Assistance Payments	\$0		\$0		\$0

Harrison Housing Authority (NJ016)

Harrison, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 03/31/2016

	Project Total	2 State/Local	Subtotal	ELIM	Total
97350 HAP Portability-In	\$0		\$0		\$0
97400 Depreciation Expense	\$620,443		\$620,443		\$620,443
97500 Fraud Losses	\$0		\$0		\$0
97600 Capital Outlays - Governmental Funds					
97700 Debt Principal Payment - Governmental Funds					
97800 Dwelling Units Rent Expense	\$0		\$0		\$0
90000 Total Expenses	\$3,041,810	\$0	\$3,041,810	\$0	\$3,041,810
10010 Operating Transfer In	\$89,810		\$89,810	(\$89,810)	\$0
10020 Operating transfer Out	-\$89,810		-\$89,810	89,810	\$0
10030 Operating Transfers from/to Primary Government	\$0		\$0		\$0
10040 Operating Transfers from/to Component Unit	\$0		\$0		\$0
10050 Proceeds from Notes, Loans and Bonds					
10060 Proceeds from Property Sales					
10070 Extraordinary Items, Net Gain/Loss	\$0		\$0		\$0
10080 Special Items (Net Gain/Loss)	\$0		\$0		\$0
10091 Inter Project Excess Cash Transfer In	\$0		\$0		\$0
10092 Inter Project Excess Cash Transfer Out	\$0		\$0		\$0
10093 Transfers between Program and Project - In	\$0		\$0		\$0
10094 Transfers between Project and Program - Out	\$0		\$0		\$0
10100 Total Other financing Sources (Uses)	\$0	\$0	\$0	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total	-\$433,509	\$937,796	\$504,287	\$0	\$504,287
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0		\$0
11030 Beginning Equity	\$6,929,816	\$0	\$6,929,816		\$6,929,816
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	-\$715,988	-\$937,796	-\$1,653,784		-\$1,653,784
11050 Changes in Compensated Absence Balance					
11060 Changes in Contingent Liability Balance					
11070 Changes in Unrecognized Pension Transition Liability					
11080 Changes in Special Term/Severance Benefits Liability					
11090 Changes in Allowance for Doubtful Accounts - Dwelling					
11100 Changes in Allowance for Doubtful Accounts - Other					
11170 Administrative Fee Equity					
11180 Housing Assistance Payments Equity					
11190 Unit Months Available	3204	0	3204		3204
11210 Number of Unit Months Leased	3204	0	3204		3204
11270 Excess Cash	\$752,893		\$752,893		\$752,893
11610 Land Purchases	\$0		\$0		\$0
11620 Building Purchases	\$127,823		\$127,823		\$127,823
11630 Furniture & Equipment - Dwelling Purchases	\$0		\$0		\$0
11640 Furniture & Equipment - Administrative Purchases	\$0		\$0		\$0
11650 Leasehold Improvements Purchases	\$0		\$0		\$0
11660 Infrastructure Purchases	\$0		\$0		\$0
13510 CFFP Debt Service Payments	\$0		\$0		\$0
13901 Replacement Housing Factor Funds	\$0		\$0		\$0

HOUSING AUTHORITY OF THE TOWN OF HARRISON
STATEMENT AND CERTIFICATION OF COMPLETED MODERNIZATION GRANTS
As of March 31, 2016

	NJ39P016501-13 CFP 2013 GRANT		TOTAL
Funds Approved	\$ 559,722	\$	559,722
Funds Expended	559,722		559,722
Excess/(Deficiency) Approved	\$ -	\$	-
Funds Advanced	\$ 559,722	\$	559,722
Funds Expended	559,722		559,722
Excess/(Deficiency) of Advances	\$ -	\$	-

1. The distribution of cost by project and account classification accompanying the Financial Status Reports and Actual Modernization Cost Certificate submitted to HUD for approval were in agreement with the Authority's records.
2. All modernization costs have been paid and all related liabilities have been discharged through payment.
3. The actual modernization cost certificates submitted to HUD are in agreement with the Authority's records.

HOUSING AUTHORITY OF THE TOWN OF HARRISON
Schedule of Proportionate Share of the Net Pension Liability
of the Public Employees Retirement System (PERS)
For the Year Ended March 31, 2016

	<u>2015</u>	<u>2014</u>
Housing Authority's Proportion of the Net Pension Liability	0.00951%	0.00877%
Housing Authority's Proportionate Share of the Net Pension Liability	\$ 2,135,340	\$ 1,641,584
Housing Authority's Covered Employee Payroll	855,019	\$ 854,979
Housing Authority's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Employee Payroll	249.74%	192.00%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	47.93%	52.08%

The amounts determined for each fiscal year were determined as of June 30.

HOUSING AUTHORITY OF THE TOWN OF HARRISON
Schedule of Authority Contributions to the
Public Employees Retirement System (PERS)
For the Year Ended March 31, 2016

	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$ 81,781	\$ 72,281
Contribution in Relation to the Contractually Required Contribution	\$ (81,781)	\$ (72,281)
Contribution Deficiency/(Excess)	<u>\$ -</u>	<u>\$ -</u>
Authority's Covered Payroll	\$ 855,019	\$ 854,979
Contribution as a Percentage of Covered Employee Payroll	9.56%	8.45%

The amounts determined for each fiscal year were determined as of June 30.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Commissioners
Housing Authority of the Town of Harrison
Harrison, New Jersey

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Housing Authority of the Town of Harrison as of and for the year ended March 31, 2016 and have issued our report thereon dated November 14, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Housing Authority of the Town of Harrison's internal control over financial reporting (internal control) as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above. However, material weakness may exist that have not been identified.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Housing Authority of the Town of Harrison's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

POLCARI & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

Wayne, New Jersey
November 14, 2016

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Commissioners
Housing Authority of the Town of Harrison
Harrison, New Jersey

Report on Compliance for Each Major Federal Program

We have audited the Housing Authority of the Town of Harrison's compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the entity's major federal programs for the year ended March 31, 2016. The Housing Authority of the Town of Harrison's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance federal statutes, regulations, and the terms and conditions of grants of its federal awards applicable to each of its major federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Housing Authority of the Town of Harrison's major federal programs based on our audits of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Housing Authority of the Town of Harrison's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Housing Authority of the Town of Harrison's compliance.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE
(Continued)

Opinion on Each Major Federal Program

In our opinion, Housing Authority of the Town of Harrison complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended March 31, 2016.

Report on Internal Control Over Compliance

Management of the Housing Authority of the Town of Harrison is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Housing Authority of the Town of Harrison's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

POLCARI & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

Wayne, New Jersey
November 14, 2016

HOUSING AUTHORITY OF THE TOWN OF HARRISON
Harrison, New Jersey
March 31, 2016

STATUS OF PRIOR AUDIT FINDINGS

The prior audit contained no findings.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SECTION 1 - SUMMARY OF AUDIT RESULTS

Financial Statements

Type of Auditor's Report Issued:	<u>Unmodified</u>
Internal Control over Financial Reporting:	
Significant Deficiencies Identified?	_____ yes <u> X </u> no
Significant Deficiencies identified that are not considered to be material weakness(es)?	_____ yes <u> X </u> none reported
Noncompliance Material to Financial Statements Noted?	_____ yes <u> X </u> no

Federal Awards

Internal Control over Major Programs:	
Significant Deficiencies Identified?	_____ yes <u> X </u> no
Significant Deficiencies identified that are not considered to be material weakness(es)?	_____ yes <u> X </u> none reported

Type of audit report issued on compliance for major programs:	<u>Unmodified</u>
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Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)	_____ yes <u> X </u> no
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Identification of Major Programs

CFDA

<u>Number</u>	<u>Name of Federal Program or Cluster</u>
14.872	Capital Fund Program

Dollar Threshold used to distinguish between type A and type B Programs	<u>\$750,000</u>
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Auditee qualified as low-risk?	<u> X </u> yes _____ no
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SECTION 2 – FINANCIAL STATEMENT FINDINGS

None.

SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None.